

MEMORANDUM

TO: Senate Committee on Reforms, Restructuring & Reinventing

FROM: Kim Rhead – Legislative Affairs and Public Policy Director

DATE: October 2, 2013

RE: Senate Bill 541

Thank you for your consideration of Senate Bill 541 amendments to PA 152 of 2011 that were introduced at least in part at the request of the Municipal Employees Retirement System.

After passage of SB 7 last session an interpretation was made that the bill as passed failed to exempt contributions made to Health Care Savings Accounts from being counted against the employee health care benefit cap even if the account was established as a post retirement account.

It was never the intent of SB 7 to include deposits into retirement accounts against the cap that was established for employee health care benefits, but that is how the language was interpreted.

SB 541 corrects this problem by stating that employer contributions to a fund used for the sole purpose of funding health care benefits upon retirement will not be considered an Employee Benefit Plan.

Local units of government have found Health Care Savings Accounts an effective tool in reducing their retirement benefit costs as well as their OPEB unfunded accrued liabilities. As a result, almost 350 of the 800 municipalities that belong to MERS have partnered with us to create Health Care Savings Accounts and Retiree Health Funding Vehicles to help pre-fund their OPEB liabilities.

For the past few years Health Care Savings Accounts and self-directed 457 Supplemental Retirement Savings Programs have unquestionably been the most popular tools our member communities are choosing to assist them in benefit cost controls and in reducing unfunded accrued liabilities.

Unfortunately applications to create Health Care Savings Accounts have almost totally stopped as a result of the interpretation that retirement benefits must be counted against the employer cap intended to apply only to employee benefits.

On behalf of our 800 member communities, the Municipal Employees Retirement System urges you to please support SB 541.